

TO: James L. App, City Manager
FROM: Ron Whisenand, Director of Community Development
SUBJECT: In-Lieu Fees Associated with Required Street Improvements
DATE: July 5, 2006

Needs: For the City Council to review a report of the collection of in-lieu fees associated with required street improvements with building permits since adoption of the fees on March 18, 2003.

Facts:

1. On June 6, 2006, the City Council adopted an ordinance revision to Title 11 of the Municipal Code modifying the effective permit valuation limit associated with required street improvements with building permits. The valuation exception was raised from \$10,000 to \$25,000 in accordance with the rise in values of construction since the adoption of the exception language.
2. In the Council's discussion of the ordinance revision, concerns were raised regarding whether in-lieu fees could be used within the neighborhood of the permit associated with the fees. The Council requested staff to report on the use of in-lieu since their adoption in 2003.
3. Ordinance No. 854 N. S., adopted March 18, 2003, states that "In granting a waiver (of the street improvement requirement), the Planning Commission shall require payment of an in-lieu fee for construction of sidewalks, curbs, gutters, driveway aprons and street paving." In-lieu fees are therefore collected only in circumstances where the Planning Commission has approved a waiver. The Municipal Code outlines circumstances where a waiver may be granted as follows; "street locations, hardship due to fire or acts of God, topography or other physical factors".
4. Since the adoption of the Ordinance, in-lieu fees have been collected on three projects resulting in a total of \$5,685 deposited to the City's curb and sidewalk replacement fund. In all three cases, only sidewalk was waived. Curb and gutter was constructed in each case. Three other permits currently in progress are subject to in-lieu fees. In each of these cases the waiver applies to sidewalk only.
5. The money has been placed in the curb, gutter and sidewalk fund. Each year a curb, gutter and sidewalk program is conducted by the Public Works Department. This year the program will include \$49,000 of improvements. The Streets Superintendent makes project priority recommendations to the Public Works Director. Routes to schools are typical of priorities considered.

**Analysis
and**

Conclusion: In addition to mitigating the impacts of new buildings, the in-lieu fee program was intended to supplement the yearly curb, gutter and sidewalk program, which is otherwise funded by gas tax revenue. As noted above, the in-lieu fees make up a small portion of the yearly curb, gutter and sidewalk program.

The location of the source of in-lieu fees could be added to the priorities for projects chosen for inclusion in the curb, gutter and sidewalk program. However, any criteria that limits the use of these funds to a specific neighborhood or region reduces the flexibility of the Public Works staff to build worthy projects. In addition, setting up a system to manage in-lieu fees by neighborhood could be difficult considering how infrequent in-lieu fees are collected and how few neighborhoods would ever generate sufficient funds in their program to accomplish a neighborhood-wide project. Given the limited amount of funds generated by the in-lieu fee program, it does not appear advisable to associate their specific source with their use.

Policy

Reference: City Municipal Code Sections 11.12.030, 21.22.060C6

Fiscal

Impact: None.

Options:

- a. Receive and file report.
- b. Amend, modify or reject the above option.